

Handling costs for drugs and radiopharmaceuticals delivered in hospital outpatient departments

ISSUE: As mandated in the MMA, beginning in 2006, CMS will pay hospitals for a select set of drugs, biologicals, and radiopharmaceuticals delivered in hospital outpatient departments based on their acquisition costs. The MMA requires MedPAC to study whether or not a payment adjustment to the hospital outpatient prospective payment system is needed to cover pharmacy and nuclear medicine department costs associated with storing, preparing, and disposing of these products. If a payment adjustment is needed for such handling costs, how should it be structured?

KEY POINTS:

- The study covers drugs, biologicals, and radiopharmaceuticals that were on the pass-through list in December 2002. Many, but not all, of these products are used in cancer care. The study does not cover the acquisition costs of these drugs, biologicals, and radiopharmaceuticals, which GAO is evaluating. Nor does the study cover the costs of administering these products to patients, which is covered by separate administration fees under the outpatient PPS. This report will be a chapter within MedPAC's June report and is due to Congress by July 1, 2005.
- Discussions with stakeholders and analysis of cost report data indicate that hospital pharmacy handling costs are non-trivial. However, common definitions of handling costs and data on their magnitude are not available. To address this lack of data, MedPAC developed a framework for defining and measuring handling costs that was tested through case studies in four facilities.
- The attached draft chapter evaluates the need for a payment adjustment. It also considers alternative ways to structure a payment adjustment, if needed. A final section considers broader issues.

ACTION: Commissioners should consider whether a payment adjustment is needed and provide feedback on the draft chapter, including direction and tone.

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